michigan league of conservation voters

Date: May 7, 2015

To: Members of the House Energy Policy Committee

From: Lisa Wozniak, Executive Director for the Michigan League of Conservation Voters

Re: Testimony in opposition to House Bill 4297

The Michigan League of Conservation Voters (LCV) is the non-partisan, political voice for Michigan's land, air, and water. On behalf of our statewide membership and our Board of Directors, Michigan LCV expresses our opposition to House Bill 4297. HB 4297 would eliminate Michigan's energy optimization standard and cap Michigan's renewable energy standard at 10 percent. HB 4297 would allow energy generated out of state to qualify for credit under Michigan's renewable energy standard and would classify the incineration of municipal solid and hazardous waste as renewable energy. Thanks largely to Michigan's mandated renewable energy and energy optimization standards, our state has seen incredible growth and investment in our renewable energy and energy efficiency economy—with significant progress made toward transitioning from expensive and imported coal-fired energy. If enacted, HB 4297 would lead to a sharp turn away from these successful energy mandates. For this reason, Michigan LCV urges you to oppose HB 4297.

Renewable Energy Standard

Since PA 295 went into effect, the transition to renewable sources of energy has been incredibly successful. Michigan's current renewable energy standard is driving down the high cost of electricity in our state and generating significant investment. According to the Public Service Commission, Michigan's renewable energy standard has resulted in close to $3 billion dollars of private sector investment here in Michigan.[i] The MPSC noted that the cost of energy generated by renewable sources continues to decline and is now cheaper than new coal-fired generation. The MPSC estimates that the cost of coal is $133/MWh. In contrast, the MPSC estimates that the levelized cost of wind is $76.55/MWh..[ii] Additionally, a recent bid for solar with the Lansing Board of Water and Light came in at just $45 per megawatt hour

Setting achievable goals on a clear timeline through Michigan's renewable energy standard is a proven policy that spurred real growth in Michigan's renewable industry. Matt Wagner, a spokesman for DTE, concluded that Michigan's renewable standard is what drove the utility to make larger investments in the renewable sector. "Would we be doing it if there wasn't a mandate? I think DTE would be doing some amount of wind energy, but

probably not at this scale," Wagner said. "But obviously, a mandate of 10 percent, that sets a pretty high bar that we had to meet. I would say...that it's the 10 percent renewable goal that drove these wind turbines..."[iii]

HB 4297 would weaken Michigan renewable energy industry by freezing our renewable energy standard at 10 percent and allowing renewable energy generated out of state to qualify toward Michigan's RES. In so doing, HB 4297 would discourage investments in Michigan-owned clean energy businesses and limit overall growth of the sector. Michigan is already falling behind other Midwest states with stronger renewable energy standards. We cannot afford to purposefully stunt economic growth in this critical industry.

It is crucial that we take action to ensure that our use of renewable energy will not only continue, but increase once we reach the 2015 sunset for our current renewable energy standard. The facts show that not doing so would clearly be a missed opportunity for Michigan. Instead of taking the track laid out in HB 4297, the House Energy Policy Committee should look to increase Michigan's renewable energy standard while also continuing to require in-state generation. That path will continue to build on the success we have seen with our current RES by giving Michigan clean energy businesses the certainty needed to invest in new technologies and hire new workers.

Utility Energy Optimization Programs

Since the enactment of Michigan's current energy optimization standard, energy efficiency has proven to be a cost-effective measure that decreases customer rates and reduces energy waste. The Michigan Public Service Commission estimates that customers save close to $4 for every $1 invested in energy efficiency.[iv] Michigan's energy efficiency industry is a driving force in our economy and employs more than 46,000 Michiganders and contributes $2.3 billion to our economy.[v] Additionally, the levelized cost of energy efficiency resources currently stands at $20/MWh, which is significantly cheaper than supply side options such as coal at $133/MWh or new natural gas combined cycle generation at $60/MWh.[vi]

House Bill 4297 would completely eliminate Michigan's current energy optimization requirements of 1 percent annual electric savings and 0.75 percent annual natural gas savings. These energy efficiency targets have saved Michigan businesses and families billions of dollars. Instead of working to expand the hugely successful energy optimization annual target percentage, HB 4297 would turn back the progress we have made in reducing energy waste and saving Michiganders money on their utility bills.

Michigan currently has the highest electricity costs in the Midwest. Energy efficiency has already started to bring these costs down for all ratepayers. The cost for new generation is allocated to all customers. The cumulative reduction in energy use through energy efficiency avoids the need to build new generation plants and infrastructure and therefore saves all ratepayers, regardless of their direct participation in energy efficiency programs, money on their bills. Increasing Michigan's energy efficiency standard, not eliminating it all

together, is the common-sense approach that will benefit both consumers and businesses, and will decrease our dependence on out-of-state coal imports.

Integrated Resource Plan without a Mandated Standard

Michigan LCV supports a robust integrated resource planning (IRP) process that effectively engages stakeholders in energy decision-making. However, an IRP should be seen as a complement to strong renewable energy and energy optimization standards, not as a substitute. IRPs have proven unable to produce the growth rates in renewable energy and energy efficiency we have seen through mandated standards. Indiana requires that utilities file IRPs.[vii] In 2011, the Indiana Legislature established a voluntary clean energy portfolio standard. The end result of an IRP without a mandated renewable standard is that Indiana has fallen far behind other Midwest states in renewable energy investment. To date, less than 5 percent of Indiana's net electricity generation comes from renewable sources.[viii] Additionally, the American Council for an Energy Efficient Economy (ACEEE) conducted a study comparing the efficiency savings achieved through an IRP in comparison to an energy efficiency standard. There was no statistical difference in spending on efficiency or savings between states that had no IRP and states with an IRP. States with an energy efficiency standard, on the other hand, saw more than three times the amount of spending and savings from efficiency than states with no mandated standards.[ix]

In a recent Op-Ed in the Detroit News, Chairman Nesbitt pointed out correctly that "certainty is crucial for producing affordable, stable electric rates."[x] Here he was referring to utility market regulation, but certainty is equally important for continued growth in the renewable energy and energy efficiency industry. Our renewable energy and energy efficiency standards, unlike a stand-alone IRP process, effectively establish concrete market certainty through clear goals and timelines. This clarity and certainty allows utilities and industry to plan for the future and to see a clear path to recovering upfront capital investments in renewable and energy efficient infrastructure.

Renewable Energy Source Definition and Waste Incineration

Under Public Act (PA) 295 of 2008, Michigan currently defines a renewable energy resource as energy that is derived from sources such as solar power, hydroelectric power or wind power, and is naturally replenished over a human time frame. This definition is based on science, not politics. The intent of the authors of PA 295, which HB 4297 amends, was to help Michigan transition to clean, renewable sources of energy. HB 4297 tosses out the current science-based definition of renewable energy and allows the incineration of municipal solid waste and hazardous waste, such as burning tires and railroad ties, to classify as renewable energy.

Michigan already gets too much of its energy from dirty sources, including more than half from burning coal. Our health and our environment bear the brunt of this reliance on

sources of energy that emit toxic particulate matter. Michigan's asthma rate is 10 percent higher than the national average.[xi] Even the most technologically-advanced waste incinerators release harmful particulate matter, volatile organic compounds, mercury, lead, carbon monoxide, PCBs, dioxins, and furans. These toxic chemicals have been linked to cancer, heart attacks, asthma, endocrine system disruption, and other health concerns.

Further, opening up Michigan's renewable energy classification to include waste incineration does nothing to address Michigan's high electricity rates. Due to private-sector competition and advances in technology, the cost of wind and solar have declined dramatically. According to recent filings by the utility companies, wind is now half the cost of coal. The capital costs for waste incinerators, on the other hand, are more than twice the cost of coal.[xii] In fact, the U.S. Energy Information Administration (EIA) concluded in a report that trash incinerators were more expensive to build and operate than nearly all other energy sources.[xiii]

Conclusion

Michigan has a huge opportunity now to build on the success we have seen in our renewable energy and energy efficiency industries. Our manufacturing strength, talent and know-how, combined with our renewable energy and energy efficiency standards, have made us a regional leader in clean energy.[xiv] Energy efficiency and renewable energy have already generated cost savings in Michigan, while at the same time, reducing air and water pollution. These are winning industries that will lead Michigan in the right direction. Several studies have shown that Michigan now has the capacity to increase our renewable energy and energy efficiency standards. Further, recent polling shows that 84 percent of Michigan voters support doubling our renewable energy standard and 62 percent support holding utilities accountable to meeting mandated clean energy standards.[xv] Michigan League of Conservation Voters believes that now is the time to act. We urge members of the House Energy Policy Committee to opposed HB 4297 and instead support legislation that will build on the success of our current standards.

We appreciate your consideration and look forward to opportunities to work together to craft a clean, affordable, and reliable energy future for Michigan.

Sincerely,

Lisa Wozniak
Executive Director, Michigan LCV

[i] Michigan Public Service Commission, Report on the Implementation of the P.A. 295 Renewable Energy Standard and Cost-Effectiveness of the Energy Standard, February 2015

[ii] Michigan Public Service Commission, Report on the Implementation of the P.A. 295 Renewable Energy Standard and Cost-Effectiveness of the Energy Standard, February 2015

[iii] Huron Daily Tribune, DTE Takes Wind Tour to Answer Questions, http://www.michigansthumb.com/news/article_671ed2e2-effd-11e4-b2f8-ebe0b8f953c2.html

[iv] Michigan Public Service Commission, 2014 Report on the Implementation of P.A. 295 Utility Energy Optimization Programs, November 2014

[v] Michigan Energy Innovation Business Council and 2013 Michigan Workforce Agency Energy Cluster Analysis

[vi] U.S. Energy Information Administration, Annual Energy Outlook 2014

[vii] Indiana Utility Regulatory Commission, Integrated Resource Plans, http://www.in.gov/iurc/2630.htm

[viii] U.S. Energy Information Administration, Indiana State Profile, http://www.eia.gov/state/analysis.cfm?sid=IN

[ix] American Council for an Energy Efficient Economy, IRP vs. EERS, http://aceee.org/blog/2014/12/irp-vs-eers-there%E2%80%99s-one-clear-winner-

[x] Detroit News, Rep. Nesbitt: Energy for the 21st Century, http://www.detroitnews.com/story/opinion/2015/05/04/nesbitt-st-century-energy-policy/26720043/

[xi] Centers for Disease Control and Prevention, http://www.cdc.gov/asthma/stateprofiles/asthma_in_mi.pdf

[xii] U.S. Energy Information Administration, 2010. Updated Capital Cost Estimates for Electricity Generation Plants. Available at http://www.eia.doe.gov/oiaf/beck_plantcosts/

[xiii] U.S. Energy Information Administration, 2010. Updated Capital Cost Estimates for Electricity Generation Plants. Available at http://www.eia.doe.gov/oiaf/beck_plantcosts/

[xiv] Michigan Public Service Commission, Report on the Implementation of the P.A. 295 Renewable Energy Standard and Cost-Effectiveness of the Energy Standard, February 2015

[xv] Public Opinion Strategies, http://ccofmi.org/wp-content/uploads/2015/03/Christian-Coalition-of-MI-Clean-Energy-Presentation-SHORT-WM.pdf